



Legislative Audit Division

State of Montana

Report to the Legislature

September 2003

Limited Scope Performance Audit

Telework in Montana State Government

This report examines how telework is currently being used in Montana state government and addresses the question of whether the use of telework could be expanded in state government.

- ▶ We found approximately 3.8 percent of the workforce for agencies responding to our survey are currently teleworking.
- ▶ Agencies are reporting increased productivity from their teleworkers and are saving money with reduced office space needs and reduced employee turnover.
- ▶ Because telework offers significant benefits to state government, we recommend the Governor encourage expansion of a state agency-wide telework program.

Direct comments/inquiries to:
Legislative Audit Division
Room 160, State Capitol
PO Box 201705
Helena MT 59620-1705

03P-01

Help eliminate fraud, waste, and abuse in state government. Call the Fraud Hotline at 1-800-222-4446 statewide or 444-4446 in Helena.

PERFORMANCE AUDITS

Performance audits conducted by the Legislative Audit Division are designed to assess state government operations. From the audit work, a determination is made as to whether agencies and programs are accomplishing their purposes, and whether they can do so with greater efficiency and economy. The audit work is conducted in accordance with audit standards set forth by the United States General Accounting Office.

Members of the performance audit staff hold degrees in disciplines appropriate to the audit process. Areas of expertise include business and public administration, statistics, economics, political science, criminal justice, logistics, computer science, and engineering.

Performance audits are performed at the request of the Legislative Audit Committee which is a bicameral and bipartisan standing committee of the Montana Legislature. The committee consists of six members of the Senate and six members of the House of Representatives.

MEMBERS OF THE LEGISLATIVE AUDIT COMMITTEE

Senator John Cobb
Senator Mike Cooney
Senator Jim Elliott, Vice Chair
Senator John Esp
Senator Dan Harrington
Senator Corey Stapleton

Representative Dee Brown
Representative Tim Callahan
Representative Hal Jacobson
Representative John Musgrove
Representative Jeff Pattison, Chair
Representative Rick Ripley

LEGISLATIVE AUDIT DIVISION

Scott A. Seacat, Legislative Auditor
John W. Northey, Legal Counsel



Deputy Legislative Auditors:
Jim Pellegrini, Performance Audit
Tori Hunthausen, IS Audit & Operations
James Gillett, Financial-Compliance Audit

September 2003

The Legislative Audit Committee
of the Montana State Legislature:

This is our limited scope audit of Telework in Montana State Government. The report contains information on how and why telework is used in public and private entities across the country and how telework is currently being used in Montana state government.

The report contains a recommendation to the Governor to encourage expansion of a state agency-wide telework program. A response from the Governor is contained at the end of the report.

We wish to express our appreciation to the staff of the Department of Administration and to all of the other state agency staff that helped us in creating and answering the telework survey and for their assistance during the audit.

Respectfully submitted,

(Signature on File)

Scott A. Seacat
Legislative Auditor

Legislative Audit Division

Limited Scope Performance Audit

Telework in Montana State Government

Members of the audit staff involved in this audit were Jim Nelson and Mike Wingard.

Table of Contents

| | |
|--|-----------|
| Appointed and Administrative Officials | iii |
| Report Summary | S-1 |
| Chapter I - Introduction..... | 1 |
| Introduction | 1 |
| Audit Objectives..... | 1 |
| Audit Scope and Methodology | 1 |
| Audit Criteria | 2 |
| Report Organization..... | 3 |
| Chapter II - Telework in the Public and Private Sectors..... | 5 |
| What is Telework?..... | 5 |
| What Types of Jobs Can be Accomplished Through Telework? | 5 |
| Which Employees Are Good Candidates for Telework? | 6 |
| Growth of Telework | 6 |
| Telework in Federal Government Agencies | 6 |
| Telework in the Public and Private Sectors..... | 7 |
| Factors Driving Telework..... | 7 |
| Benefits of Telework | 8 |
| Employer Benefits | 8 |
| Employee and Social Benefits..... | 9 |
| Telework Challenges | 10 |
| Summary | 11 |
| Chapter III - Telework in Montana State Government..... | 13 |
| Introduction | 13 |
| Current Telework in State Government | 13 |
| Agency Survey Results | 13 |
| State Government Telework Examples..... | 14 |
| Safety and Health Bureau..... | 15 |
| Workers' Compensation Mediation Unit | 15 |
| Meat and Poultry Inspection Bureau..... | 15 |
| Information Technology Services Division | 16 |
| Could State Government Expand Telework? | 16 |
| Why Are Agencies Not Using Telework More? | 17 |
| What Would the State Gain From Expanded Telework? | 17 |
| Telework Management Controls and Practices..... | 19 |
| Conclusion - State Government Could Expand the Use of Telework..... | 20 |
| Department of Administration Involvement | 20 |
| Governor Supports Telework..... | 21 |
| Telework Issues..... | 21 |
| Equipment and Services for Teleworkers..... | 21 |
| Accessing the State's Computer Network From Remote Sites | 22 |
| Data Transmission Speed | 23 |
| Insurance Coverage for Home Offices..... | 23 |

Table of Contents

| | |
|---------------------------------|------------|
| Summary..... | 24 |
| Department Response..... | A-1 |
| Governor's Office | A-3 |

Appointed and Administrative Officials

Office of the Governor

Judy Martz, Governor
Barbara Ranf, Chief of Staff

Department of Administration

Scott Darkenwald, Director
John McEwen, Administrator, State Personnel Division

Introduction

The Legislative Audit Committee requested a performance audit of telework in state government. Telework or telecommuting can be defined as a flexible work arrangement where designated employees work one or more days a week from home or an alternative worksite instead of physically traveling to a central workplace. At present, most agencies do not have formal telework programs or policies. The decision for a state employee to telework is generally an informal one between a worker and their supervisor.

Telework offers significant benefits to state agencies and we believe the state should invest in the efforts to expand the use of telework. Telework often requires some expenditures for placing computers in employees' homes and for providing access to the state's computer network. However, these costs are small in relation to the cost savings in increased productivity, reduced office space needs, and reduced employee recruiting and training expenses.

The audit focused on determining the current use of telework in state government and comparing this to the use of telework in other public and private entities across the country. The general audit objectives were to:

1. Provide information to the legislature about telework.
2. Determine how and why telework is used in public and private entities.
3. Determine how and why telework is currently used in Montana state government.
4. Determine if telework could be expanded in Montana state government.

What is Telework?

Telework is a work arrangement where an employee works at an alternative worksite such as the employee's home, a telecenter, or other worksite, which saves or reduces the employee's trips to the main worksite. Experts in telework define a teleworker as an employee who regularly works at an alternative worksite at least once a week. Some teleworkers work full time in what is sometimes

Report Summary

known as the “virtual office”. More commonly, teleworkers work at an alternative worksite one or more days per week. Many state employees have tasks that can be completed through telework including: analysis, computer programming, data entry, design work, editing, evaluations, field visits, graphics, preparing budgets, preparing and monitoring contracts, project management, reading, research, word processing, and writing.

Telework in the Public and Private Sectors

Telework is growing in both the public and private sectors. The number of teleworkers in the U.S. has increased from about 3 million workers in 1990 to about 28 million (20 percent of workforce) in 2001.

Many employers recognize telework as a management tool for increasing employee productivity, attracting and retaining quality employees, and helping employees balance work and family obligations. Telework provides another type of workplace flexibility along with job-sharing, part-time work, compressed workweeks, and flextime. However, telework also offers challenges both to managers and to teleworkers themselves. Managers need to use a different management style since workers cannot be directly observed while working. Managers need to place an emphasis on the results produced rather than the number of hours worked. Telework also does not work for all employees. Some need to be in the office for the interaction with other people. Others need technology that may not be available at their alternative worksite.

Current Telework in State Government

In Montana, state workers have been conducting work from alternative worksites for many years, but the terms telework and telecommuting are fairly new to state government. The terms are not used in Montana statutes. The first reference to telecommuting came during the 1999 legislative session in SB431. This bill was an act “promoting telecommuting for employees for all branches of state government.” The bill did not pass out of committee, but the Director of the Department of Administration agreed to issue a telework policy without a legislative mandate.

The results from a survey we completed indicate there are about 450 state government teleworkers or 3.8 percent of the workforce for the agencies responding to the survey. We believe the number of teleworkers is underreported since most of these agencies are operating without formal telework policies and agencies do not track these workers.

During our audit we have found state agencies are currently using telework in several different ways.

1. Field Workers. Some agencies assign specific workers to work out of their homes because of the type and location of their work.
2. Traditional Teleworkers. Workers in this category typically choose to work from an alternative worksite one or more days per week and “commute” to their offices using computers and other technologies.
3. Situational Teleworkers. These workers work out of their homes on more of an informal basis. A worker in this category may occasionally work at home on a project like writing or editing a report or because of a medical or other reason.

What Would the State Gain From Expanded Telework?

State agencies that are currently using teleworkers reported many benefits when answering our agency survey. For agencies with field workers, 70 percent of the agencies said telework increased employee productivity, improved customer service, and improved employee morale. Sixty percent of these agencies said telework reduced office space costs and reduced employee turnover. For agencies with non-field teleworkers, 65 percent indicated telework increased productivity.

There are several current concerns in state government that could be addressed through telework including improved recruitment and retention of state employees, reduced office space costs, and reduction in personnel-related costs. The North Carolina State Auditor conducted an in-depth study of telework in state government. The auditor estimated an annual productivity benefit of \$21.6 million, annual space savings of \$5.2 million, and annual

Report Summary

avoided turnover costs of \$2.5 million for the state of North Carolina if 5 percent of eligible state employees participated in teleworking.

State Government Could Expand the Use of Telework

Telework opportunities are growing in both the public and private sectors. Because state government has many of the types of jobs that are suitable for telework, and because many agencies have not significantly incorporated telework into their management options, there is room for expanding the use of telework in state government.

Based on the information we have collected through research, through our agency telework survey, and through our contacts with agency staff, we believe telework offers significant benefits to state government. These benefits include increased employee productivity, reduced office space requirements, reduced use of employee leave, and an increased labor pool.

We recommend the Governor encourage expansion of a state agency wide telework program and also designate the Department of Administration as the lead agency in implementing the program.

Telework Issues

There are several issues associated with telework that need to be addressed by state agencies if telework is to be successfully expanded to include more employees. These issues include:

- ▶ Equipment and services for teleworkers.
- ▶ Accessing the state's computer network from remote sites.
- ▶ Data transmission speed.
- ▶ Insurance coverage for home offices.

Many of these issues are tied to the use of computers to remotely access the state's computer network. State agencies and the Department of Administration have been working on these issues and solutions are being found. In most cases these technical issues should not be a deterrent if the agency and the employee both agree telework is a beneficial option.

Chapter I - Introduction

Introduction

The Legislative Audit Committee requested a performance audit of telework in state government. Telework or telecommuting can be defined as a flexible work arrangement where designated employees work one or more days a week from home or an alternative worksite instead of physically traveling to a central workplace. At present, most agencies do not have formal telework programs or policies. The decision for a state employee to telework is generally an informal one between a worker and their supervisor.

Telework offers significant benefits to state agencies and we believe the state should invest in the efforts to expand the use of telework. Telework often requires some expenditure for placing computers in employees' homes and for providing access to the state's computer network. However, these costs are small in relation to the cost savings in increased productivity, reduced office space needs, and reduced employee recruiting and training expenses.

Audit Objectives

The audit focused on determining the current use of telework in state government and comparing this to the use of telework in other public and private entities across the country. The general audit objectives were to:

1. Provide information to the legislature about telework.
2. Determine how and why telework is used in public and private entities.
3. Determine how and why telework is currently used in Montana state government.
4. Determine if telework could be expanded in Montana state government.

Audit Scope and Methodology

Our audit work involved collecting information on current telework practices in state government agencies. As part of this process we developed a detailed agency telework survey. We placed emphasis on obtaining information from agencies on the benefits agencies were receiving from telework and also on the reasons some agencies were not using telework. Surveys were sent to each state department

Chapter I - Introduction

and administratively attached agencies. Surveys were also sent to agencies in the judicial and legislative branches.

To obtain more specifics on agency telework practices we visited selected agencies and interviewed human resource managers, teleworkers, and teleworker managers. Available documentation from several agencies was also collected and reviewed.

We discussed agency telework several times with officials from the State Personnel Division at the Department of Administration. The division issued a Telework Program Guide for state agencies in March 2000, which was used throughout the audit. We also attended one of the regularly scheduled meetings the division has with agency personnel officers to discuss the results of our agency survey and to discuss telework in general.

There are no references to telework or telecommuting in Montana statutes. Therefore, we did not conduct any compliance testing.

Audit Criteria

A significant part of this audit involved researching organizations that have implemented telework programs and organizations that study and compile information on telework. The International Telework Association and Council (ITAC) is a non-profit organization dedicated to advancing the growth and success of telework. The federal government has also conducted a great deal of work in this area. The Office of Personnel Management (OPM) and the General Services Administration (GSA) have cooperated to create a joint website on telework to assist federal agencies. Both agencies have produced reports on telework, some of which were specifically written for Congress.

In 2002, the U.S. Department of Labor convened an academic symposium at Xavier University to examine the impact of telework on the American workplace. The seminar resulted in a report titled "Telework and the New Workplace of the 21st Century." The report presents the work of 12 scholars, economists, social scientists and others. Information from this report was used in our audit.

Many private companies (such as AT&T) and state and local government entities (such as the Western States Telework Collaborative) have also compiled and published information on their telework programs. We used this information extensively in analyzing the pros and cons for telework in Montana state government and in developing this report.

Report Organization

This report is organized into three chapters. Chapter II presents information on telework in public and private entities across the country. Chapter III examines telework in Montana state government and answers the question of whether the use of telework could be expanded in state government.

Chapter II - Telework in the Public and Private Sectors

What is Telework?

Telework is a work arrangement where an employee works at an alternative worksite such as the employee's home, a telecenter, or other worksite which saves or reduces the employee's trips to the main worksite. Experts in telework define a teleworker as an employee who regularly works at an alternative worksite at least once a week.

Some teleworkers work full time in what is sometimes known as the "virtual office." More commonly, teleworkers work at an alternative worksite one or more days per week. These workers will come to the office for face-to-face contact with managers and customers. Depending on the type of job, some teleworkers will come to the office for access to files and equipment and for meetings. Many teleworkers also need time in the office for interaction with co-workers.

What Types of Jobs Can be Accomplished Through Telework?

Today many jobs have at least some tasks that can be accomplished through telework. The current "information economy" focuses on knowledge, which can be produced independent of place and time constraints. A study by Rutgers University showed more than two-thirds of all workers use a computer in the workplace every day. A partial listing of telework occupations from the federal General Services Administration includes: accountant, architect, attorney, auditor, collections staff, computer programmer, designer, financial analyst, graphic artist, journalist, policy analyst, research staff, and technical writer.

Some jobs by their nature are suitable for telework and many could be conducted from an alternative worksite almost full-time. Other jobs have some functions that could be conducted through telework one or more days per week. The state of Oregon notes many state employees have tasks that can be completed through telework including: analysis, auditing, computer programming, data entry, design work, editing, evaluations, field visits, graphics, preparing

Chapter II - Telework in the Public and Private Sectors

budgets, preparing and monitoring contracts, project management, reading, research, word processing, and writing.

Which Employees Are Good Candidates for Telework?

While some types of work are more adaptable to telework, an individual worker's characteristics can also help determine if someone is likely to be successful at telework. Workers who are self-motivated and results-oriented, need minimal supervision, and are able to plan and work on their own time can make good teleworkers. A person is more likely to be successful at telework if he or she is: well organized, self-disciplined, familiar with job requirements, an effective communicator, works well independently, and is currently successful in his or her job. An effective teleworker needs to establish a work schedule and work location that minimizes disruptions.

Growth of Telework

The terms telework and telecommuting go back to the 1970s when the National Science Foundation funded the first telework demonstration project. In the 1980s, pilot telework programs were initiated in the United States, often with the encouragement and funding from the federal government.

Telework in Federal Government Agencies

In 1990, the federal government instituted a federal telework pilot project with goals of saving energy, improving air quality, reducing congestion and stress on roads, and enhancing the quality of life of federal workers. Section 359 of Public Law 106-346 (passed in 2000) requires each executive agency to establish a policy under which eligible employees may participate in telecommuting to the maximum extent possible without diminished employee performance.

In response to the need to expand telework in the federal government, several agencies have established websites to disseminate telework information. Many agencies have adopted formal policies on telework. The federal General Services Administration has established several telework centers in the Washington DC area. Teleworkers are provided with office space with modular furniture, telephone lines for voice and data

Chapter II - Telework in the Public and Private Sectors

transmission, computers, telephones, printers, copy machines, fax machines, file equipment, and conference rooms. Agencies may also provide their own computers. Other non-GSA telework centers have been established in Illinois, Maryland, Minnesota, New York, and Washington DC. Telework centers allow workers to work closer to their homes which results in reduced commuting time. The federal government reported in 2001 that they had about 75,000 teleworkers in 63 responding agencies.

Telework in the Public and Private Sectors

Telework is also growing in the private sector. AT&T started a pilot program in Los Angeles in 1989 and in Phoenix in 1990. In 2001, AT&T reported that 56 percent of its managers teleworked at least one day a month, 27 percent of its managers teleworked one day or more per week, and 11 percent teleworked full-time.

The number of teleworkers in the U.S. has increased from about 3 million workers in 1990 to about 28 million (20 percent of workforce) in 2001. The latter number is an estimate by the International Telework Association and Council (ITAC), which conducts research, holds educational events, distributes publications, and assists businesses and the public in implementing telework. Some ITAC members include Charles Schwab, Eli Lilly, Farm Bureau Insurance, Hewlett Packard, Lockheed Martin, and Welch Foods. Some of the states with formal telework programs for their employees include Arizona, Florida, North Carolina, California, Texas, Oregon, Utah, and Washington.

Factors Driving Telework

What is causing the growth in telework? Experts point toward three main factors driving telework:

Internet Growth. Expansion of the Internet has created a demand for many more personal computers in people's homes. As a result, many people have established home offices and have the ability to work at home.

Technological Advances. Many technologies including cell phones, laptops, home computers, home fax machines, and e-mail have equipped employees to easily work away from their main worksite. Several newer technologies will make telework even easier.

Chapter II - Telework in the Public and Private Sectors

High-speed Internet connections are becoming more available and cheaper. The two least expensive types are digital subscriber line (DSL) and cable Internet access. Virtual private networks (VPNs) give offsite workers secure remote access to their organization's internal networks.

Career/Family Balance. Many employees are seeking a balance between career and family time. Reducing commuting time and flexible schedules allow workers to spend more time with family or attend community activities.

The growth of telework has occurred because of the benefits seen by both employers and employees. However, telework also creates some challenges for both parties. The remaining sections of this chapter discuss some of the benefits and challenges of telework.

Benefits of Telework

Telework offers many benefits. The employer can often achieve significant cost savings. The employee can save money and time on commuting to work. Society can also benefit from reduced pollution and energy use.

Employer Benefits

A summary of reported potential employer benefits includes:

- ▶ Increased employee productivity in the range of 15 to 20 percent. This can come from reduced time spent traveling, fewer interruptions when working at an alternative worksite, and increased motivation because of the desire to maintain the flexibility of telework.
- ▶ Reduced office space and parking requirements which can significantly reduce employer costs.
- ▶ Improved employee recruitment by attracting candidates from outside the normal commuting area or people who are interested in working at least part time from their homes. With a wider selection of candidates there is potential to find more qualified and motivated workers.
- ▶ Improved retention of current employees who enjoy the flexibility and increased family and community time. This can save the employer hiring and training costs.

Chapter II - Telework in the Public and Private Sectors

- ▶ Reduced absenteeism costs because often a worker with an injury or illness can work from home (full day or part of day) while recovering.
- ▶ Increased opportunity to hire disabled workers whose disability prevents them from successfully performing the job on-site.

Employer costs savings can be significant. AT&T estimates the value of increased productivity from its teleworkers at about \$65 million annually. When real estate and job retention savings are included the savings are reported to be more than \$100 million per year. According to ITAC, employers can save 63 percent of the costs associated with absenteeism by allowing telework and can expect an average of over \$5,000 in productivity gains per teleworker per year. ITAC also estimates that for every worker that telework helps to retain, there is an average savings of \$14,600 in recruiting and training costs.

In 2000, the state of North Carolina conducted a study of the results of its telework pilot program which was established by executive order. The study found teleworkers reported a 15 percent increase in productivity due to less distraction and increased job satisfaction. For every teleworker that is retained, the state saved about \$20,000, which is the estimated cost for the state to recruit, interview, process, and train replacements. The North Carolina State Auditor conducted an in-depth study of telework in state government. The auditor estimated an annual productivity benefit of \$21.6 million, annual space savings of \$5.2 million, and annual avoided turnover costs of \$2.5 million for the state of North Carolina if 5 percent of eligible state employees participated in teleworking.

Employee and Social Benefits

While many of the telework studies concentrate on employer benefits, the employees also benefit from telework. Employee benefits can include:

- ▶ Reduction in commuting costs (gasoline, maintenance, vehicle wear and tear) and travel time.

Chapter II - Telework in the Public and Private Sectors

- ▶ Accommodation of short- or long-term health problems and flexibility for short-term conditions, such as tending to sick children.
- ▶ Increased free time for family and community interaction.
- ▶ Improved morale and job satisfaction.

In addition to benefits for the employer and employee, there are social and environmental benefits from telework as well. These benefits can include reduced traffic congestion, reduced pollution and energy use, increased work opportunities for disabled workers, and promotion of a “family-friendly” work environment.

Telework Challenges

While telework has many benefits, it can also create challenges for employers and employees. These challenges can include:

- ▶ Some managers are resistant to change and telework requires a different management style. Managers must provide clear, measurable objectives and measurable results. There needs to be an emphasis on results rather than attendance.
- ▶ Some managers fear the loss of control and have concerns with communicating with teleworkers.
- ▶ For some managers the financial benefits may not be understood or the evidence of benefit may not be sufficiently persuasive.
- ▶ Some teleworkers may have difficulties setting up separate work space in their homes and in obtaining access to their employer’s computer network.
- ▶ Some employers may have difficulties maintaining home-based office equipment.
- ▶ There can be potential for tension between teleworkers and other workers. Teleworkers and other staff need to be treated the same and have similar benefits.

Some teleworkers will find that working from an alternative worksite is not the best for them. Some workers need daily, face-to-face contact with managers and their customers. Others miss interacting with co-workers on projects, access to files and equipment, and

Chapter II - Telework in the Public and Private Sectors

meetings. Some teleworkers have chosen to return to the office because they were less productive due to lack of technology. One of the biggest challenges is lack of high-speed Internet access. Some workers have difficulty completing their work if downloads or uploads are too slow.

Summary

The use of telework is growing in both the public and private sectors. Many employers recognize telework as a management tool for increasing employee productivity, attracting and retaining quality employees, and helping employees balance work and family obligations. Telework provides another type of workplace flexibility along with job-sharing, part-time work, compressed workweeks, and flextime. However, telework also offers challenges both to managers and to teleworkers themselves. Managers need to use a different management style since workers cannot be directly observed while working. Managers need to place an emphasis on the results produced rather than the number of hours worked. Telework also does not work for all employees. Some need to be in the office for the interaction with other people. Others need technology that may not be available at their alternative worksite.

Chapter III - Telework in Montana State Government

Introduction

In this chapter we answer audit objectives three and four, which relate to how telework is currently used in state government and if current use could be expanded.

Current Telework in State Government

In Montana, state workers have been conducting work from alternative worksites for many years, but the terms telework and telecommuting are fairly new to state government. The terms are not used in Montana statutes. The first reference to telecommuting came during the 1999 Legislative Session in SB431. This bill was an act “promoting telecommuting for employees for all branches of state government.” The bill was designed to encourage state agencies to allow employees to telecommute when there was an opportunity to improve employee performance, reduce miles commuted, or if there were state agency savings. Each state agency would have been required to adopt a written policy and the Department of Administration (DofA) would have been required to provide a biennial report to the legislature. The bill did not pass out of committee, but the Director of the Department of Administration agreed to issue a telework policy without a legislative mandate.

In response to DofA’s promise to issue a telework policy, the State Personnel Division issued a 36-page “Telework Program Guide” in March 2000. DofA’s telework specialist met with several departments after completion of the guide to explain telework. The department’s Risk Management and Tort Defense Division also issued a policy titled: “Telecommuting - Insurance Coverage for Property of State Agencies in Care, Custody, and Control of State Employees.”

Agency Survey Results

The results from our survey indicated there are about 450 state government teleworkers or 3.8 percent of the workforce for the agencies responding to our survey. We believe the number of teleworkers is underreported since most of these agencies are operating without formal telework policies and agencies do not centrally track these workers. The Montana Department of Transportation (MDT) started the process to implement telework

Chapter III - Telework in Montana State Government

policies in the department in 2000. A Telework Committee was established that held several meetings while studying the process. The department was close to starting a pilot project in 2001, but seemed to get stalled in working out the many details, including how to arrange for computers and other technologies. To date the project is still on hold waiting for final decisions and approval. One agency that got further along is the Legislative Services Division which issued policies for a telework pilot project in December 2001. The division has also successfully used informal telework arrangements for several years.

During our audit we found state agencies are currently using telework in several different ways.

1. Field Workers. Some agencies assign specific workers to work out of their homes because of the type and location of their work. Often these employees are required to travel extensively in geographic regions away from central or regional offices. Their work also may require visiting various clients at their client's place of business.
2. Traditional Teleworkers. Workers in this category typically choose to work from an alternative worksite one or more days per week and "commute" to their offices using computers and other technologies. These workers may have formal agreements and schedules established with their employers. These workers can commute to the office for face-to-face meetings, to meet with clients, and to use office equipment and resources.
3. Situational Teleworkers. These workers work out of their homes on more of an informal basis. A worker in this category may occasionally work at home on a project like writing or editing a report. In these instances the worker may be looking for a work place without interruptions to improve productivity. Other workers in this category may work temporarily out of their home because of a medical or other reason. In these instances the employer is making an exception to normal work practices because of an employee's personal situation.

State Government Telework Examples

We visited several agencies to determine first hand how they were using telework. We interviewed both teleworkers and their supervisors about any benefits or challenges with their work

Chapter III - Telework in Montana State Government

arrangements. The following section presents some typical examples where telework has been incorporated into agency operations.

Safety and Health Bureau

The Safety and Health Bureau at the Department of Labor and Industry has safety inspectors and mine inspectors that inspect public and private entities around the state. Many of these staff work in either small field offices or out of their homes close to the areas of the state where they conduct their work. At one time all of the bureau's staff worked out of Helena which required long distance travel for many of the staff. Having the staff located in the communities where they work saves the bureau significant travel costs and staff time. For the staff working out of their homes, the bureau is also saving on the costs of office space.

Workers' Compensation Mediation Unit

Another entity at the Department of Labor and Industry that uses telework is the Workers' Compensation Mediation Unit. This function was created by the 1987 Legislature to provide an alternative method of resolving disputed claims prior to involving the Workers' Compensation Court. Much of the unit's work involves reviewing case files and conducting mediation sessions over the telephone. The unit has relied heavily on telework for over 10 years. Initially this option was investigated because the department did not have sufficient space to house all of the mediation staff. Currently four of the six mediators work out of their homes four days a week and work in the office one day a week. The other two mediators work mostly in the Helena office and occasionally work out of their homes. Telework has helped this unit in both hiring new staff and in retaining existing staff.

Meat and Poultry Inspection Bureau

The Department of Livestock has many different types of employees that work in a similar manner to the safety and mine inspectors. The department's Meat and Poultry Inspection Bureau currently regulates 42 processing plants located throughout Montana. Eleven inspectors and two supervisors work out of their home offices. These staff spend most of their time at the various meat and poultry processing plants in their areas. They spend about one hour a day in their home offices. There are other staff that work part time in the Helena office

Chapter III - Telework in Montana State Government

and part time in their homes or on the road. The department has been able to save travel costs and travel time by having these staff located near their work. The department is also saving a significant amount on office space costs for these inspectors and supervisors. Three other staff that work out of Helena on a part-time basis share one work area creating additional cost savings for the department.

Information Technology Services Division

The Information Technology Services Division (ITSD) at the Department of Administration has many staff that work from their homes on a “situational basis.” Most ITSD staff have Internet access at home and occasionally will do routine work like checking their state e-mail or calendar from home. Several staff members are also responsible for troubleshooting and providing fixes for some of the state’s computer applications and systems. Many of these staff are set up so they can remotely log on to the state’s network from their home computers. In this way they can often fix problems that occur during non-office hours without taking the time to drive to their office. This allows problems to be corrected more quickly and the staff are not pulled out of their homes in the middle of the night. ITSD staff have also been able to complete other types of work from home for various lengths of time while recovering from injuries or illness or for other personal reasons.

Could State Government Expand Telework?

As shown by our agency survey, telework is currently being used by state agencies; however, there is room for expanding the use of telework. Our survey was answered by 40 agencies representing about 11,800 employees. The responses we received from these agencies showed about 3.8 percent of their employees teleworked at least some of the time. However, ten of the agencies responding to our survey, totaling about 1,900 employees, indicated they had no teleworkers. In addition, the state’s two largest agencies (MDT and DPHHS) only reported a total of 41 teleworkers out of approximately 5,300 employees (or less than 1 percent). This can be compared to information reported by ITAC which indicates 20 percent of the U.S. work force does some telework.

Chapter III - Telework in Montana State Government

At the beginning of Chapter II we presented information on the types of work tasks that were suitable for telework. These tasks included: analysis, computer programming, data entry, editing, evaluations, field visits, preparing budgets, preparing and monitoring contracts, reading, research, word processing, and writing. These are all common tasks and at least some of these tasks are completed by workers within all state agencies.

In a recent performance audit we found an example where a state agency could make use of telework. During our audit of nursing home survey activities at the Department of Public Health and Human Services (Audit # 01P-13), we found the department is having difficulty recruiting and retaining registered nurses as surveyors. We discussed how telework could be used to help the department in several different ways including opening up new labor markets for an increased pool of qualified applicants. Teleworking could also provide opportunities for job-sharing or the use of part-time employees. In addition to helping in recruiting and retaining employees, telework could be used to reduce employee travel time and reduce costs for office space.

Why Are Agencies Not Using Telework More?

We found most agencies do not have much knowledge of telework. Many agencies are using it for their field workers but this has been more a requirement of the job since these workers must travel around the state and many are located in communities that do not have regional or field offices. In our agency survey, 33 percent of the agencies said they do not allow or do not encourage telework. Fifty percent of the agencies indicated they did not have the appropriate jobs for telework. Many state employees may not be aware of telework and how it could be used for at least some of the tasks they perform. Our survey showed 25 percent of the agencies did not encourage telework because of lack of interest by their employees. Thirty-three percent of the survey respondents said they did not encourage or allow telework because of “management concerns.”

What Would the State Gain From Expanded Telework?

In Chapter II we discussed the types of benefits available to employers from using telework as one of their management options.

Chapter III - Telework in Montana State Government

State agencies that are currently using teleworkers reported many benefits when answering our agency survey. For agencies with field workers, 70 percent of the agencies said telework increased employee productivity, improved customer service, and improved employee morale. Sixty percent of these agencies said telework reduced office space costs and reduced employee turnover. For agencies with non-field teleworkers, 65 percent indicated telework increased productivity.

There are several current concerns in state government that could be addressed through telework.

Recruitment and Retention of State Employees. The Council of State Governments issued a report in 2002 on state employee worker shortages across the country. In that report, Montana is one of the states with employees with a high average age (45) and with a high turnover rate (13 percent). This report shows Montana has many state employees that are nearing retirement and will need to be replaced. Telework options may persuade some of these workers to stay longer and also help in recruiting new workers.

Office Space Costs. The state currently leases 440,000 square feet of office space in the Helena area and substantial more space in communities around the state. The average cost for state rental space in Helena is about \$10 per square foot per year. Telework is one way for the state to reduce its reliance on rented office space. For every rented work station that can be eliminated, the state could potentially save around \$1,500 per year (assuming an average of 150 square feet for a work station).

Personnel-Related Costs. The state is currently experiencing a tight budget and telework is one option for cutting personnel-related costs. Telework has the potential to reduce employee turnover reducing costs for recruiting and training new workers. Telework can also improve individual worker productivity. The North Carolina State Auditor estimates that telework provides a productivity benefit of

Chapter III - Telework in Montana State Government

about \$1,000 per year for an employee teleworking just one day per week.

Telework Management Controls and Practices

Telework decisions need to be made by each individual manager. It should be emphasized the employer still controls how the work gets done. Thus, the employer determines how and if telework is going to be used as one of their work options. Teleworkers also need to go extra lengths to make sure their supervisors know they are being productive and are accessible when needed. Some of the keys to telework in this regard are:

- ▶ Telework is always at the discretion of management. Telework is a privilege and not an employee right. Also management has the right to terminate telework at any time for any individual employee or as a program. Management should always consider an employee's request to telework in relation to the entity's operations and customer needs. All of the entity's policies and procedures remain in effect regardless of where the work is performed.
- ▶ Telework is not a substitute for the need for primary dependent care such as caring for young children or elderly parents. If dependent care was required while the employee was working in the office, it will usually be required during telework as well.
- ▶ Telework does not work for everyone. Management determines which employees are suitable candidates for telework based on their individual characteristics and types of tasks they perform in completing their work.
- ▶ A teleworker's performance needs to be measured and monitored just like any other worker. Teleworkers naturally tend to be evaluated based on the work produced rather than on how many hours they spend at their desks (work management versus time management).
- ▶ Teleworkers need to maintain regular communication with their manager. Teleworkers need to keep their supervisor informed about the status of projects they are working on and any difficulties encountered.
- ▶ Teleworkers need to be accessible. A system needs to be established using cell phones, voice mail, e-mail, answering machines, etc. so teleworkers can easily be contacted.

Chapter III - Telework in Montana State Government

- ▶ Teleworkers need to come to the office. Many teleworkers only telework part of each week. Also, teleworkers need to come to the office for agency meetings, to meet with clients, and to maintain contacts with other workers.

Now that telework has been around for a number of years, it is possible to learn from the experiences of other entities' telework programs. There is an extensive information database that has been compiled with many of the publications readily available on the Internet. Many publications recommend various steps and practices for setting up a telework program. These steps include developing program goals, setting guidelines and policies, communicating details of the program to all levels of the organization, having a formal training program for both workers and managers, and determining equipment and technology needs. People that have been involved in implementing telework programs indicate one of the keys to a successful telework program is starting with the support of top management.

Conclusion - State Government Could Expand the Use of Telework

Telework opportunities are growing in both the public and private sectors. Because state government has many of the types of jobs that are suitable for telework, and because many agencies have not significantly incorporated telework into their management options, there is room for expanding the use of telework in state government.

Based on all of the information we have collected through research, through our agency telework survey, and through our conversations and visits with agency staff, we believe telework offers significant benefits to state government. These benefits include increased employee productivity, reduced office space requirements, reduced use of employee leave, and an increased labor pool.

Department of Administration Involvement

DofA has already completed considerable work in this area with its Telework Program Guide and training materials and therefore is a good candidate to take the lead in this regard. DofA could arrange for agency training to inform agencies of telework benefits and also provide for feedback to see if potential benefits are achieved and to make program modifications as needed. In order to develop criteria

Chapter III - Telework in Montana State Government

for a statewide program, it might be beneficial to start with pilot programs in four or five agencies

Governor Supports Telework

We have discussed the idea of expanding the use of telework by state agencies with the Governor's Office. The Governor supports the idea that telework can be one of the tools used by the executive branch to increase state government efficiency and to help in recruiting and retaining good employees.

Recommendation #1

We recommend the Governor:

- A. Encourage expansion of a state agency-wide telework program.**
- B. Designate the Department of Administration as the lead agency in implementing the program.**

Telework Issues

There are several practical matters that arise for managers and employees when the employees are working at alternative worksites. As telework is expanded, these matters become more important. Many of the issues were raised by personnel officers in a meeting set up to discuss our telework survey results. We collected information on these issues mostly by contacting various experts within state government. The issues are discussed below and include:

- ▶ Equipment and services for teleworkers.
- ▶ Accessing the state's computer network from remote sites.
- ▶ Data transmission speed.
- ▶ Insurance coverage for home offices.

Equipment and Services for Teleworkers

State teleworkers are currently using a combination of state-owned and employee-owned computers. Some of these employees have also had state-owned software installed on their personal computers. In addition to paying for a computer, the agency also needs to decide on what additional equipment or services to provide to the teleworker including telephones, phone lines, and Internet Service Provider (ISP) connections.

Chapter III - Telework in Montana State Government

Conclusion: *There are many alternatives available to state agencies to provide equipment and services so teleworkers can complete their work. These are business decisions best made by each agency depending on each telework situation.*

Accessing the State's Computer Network From Remote Sites

The Information Technology Services Division (ITSD) has established policies and procedures that address security issues related to the use of state-owned and employee-owned computers connected to the state's network. The heart of the policy is remote access to the state's network can only be made with a connection approved by ITSD. Each agency needs to determine what applications on the network will be accessed by a remote user, the cost of the connection and the amount of information being transferred. The two main options for connecting to the state's network are:

1. Internet Service Provider/Virtual Private Network (ISP/VPN) service. A Virtual Private Network (VPN) is a way to use a public telecommunication infrastructure, such as the Internet, to provide remote offices or individual users with secure access to their organization's network. The systems use encryption and other security mechanisms to ensure only authorized users can access the network and that the data cannot be intercepted. This service costs \$25 per month. If the remote user already has an ISP connection, the VPN service is available separately for \$10 per month.
2. Citrix Secure Gateway. Access to the state's Citrix Secure Gateway can be accomplished with an Internet Service Provider and a web browser. A multi-step process of request and authentication is used to establish a secured connection between the remote user and the application server. There is currently no additional cost for agencies to use this connection but according to ITSD officials a cost may added in the future.

ITSD policies also specify state computing resources can only be used for an employee's job-related activities.

Conclusion: *Methods have been established so teleworkers can have secure access to any and all applications on the state's computer network. Current policy prohibits any non-state use of state computer resources.*

Chapter III - Telework in Montana State Government

Data Transmission Speed

Slow data transmission speed can be an issue for some teleworkers when there is a need for access to the state's network. The most common way of connecting a remote computer to the state's network is through standard telephone lines using an ISP and a modem. For some teleworkers, depending on their data transmission needs, the slower speed may dissuade them from continuing to telework.

If slow data transmission is a problem for a teleworker and the agency wants to retain the telework alternative, there are options for obtaining faster speeds. Two of these options are a digital subscriber line (DSL) and cable Internet access. A standard ISP provider charges around \$20 per month while DSL and cable access are around \$40 to \$50 per month.

Conclusion: *Slow data transmission speeds can be a hindrance to some teleworkers depending on the type of work they do and the equipment and services they have been provided. There are options for increasing data transmission speeds but at a higher cost.*

Insurance Coverage for Home Offices

Teleworkers are covered by the state's workers' compensation insurance when they are working in their home offices while conducting state business. The employee is responsible for maintaining a safe worksite and taking normal precautions to avoid accidents.

In September 2000, the Risk Management and Tort Defense Division of DofA issued a policy indicating the state would provide insurance coverage for state-owned equipment used by teleworkers. The coverage insures the equipment for direct loss or physical damage. The state's policy also provides that the state's coverage is in excess of the employee's homeowner insurance which is typically the first \$2,000.

Conclusion: *Teleworkers are covered by the state's workers' compensation insurance when they are working in their home offices conducting state business. A combination of state coverage and homeowner insurance protects state-owned equipment used by teleworkers.*

Chapter III - Telework in Montana State Government

Summary

There are several issues associated with telework that need to be addressed by state agencies if telework is to be successfully expanded to include more employees. Many of these issues are tied to the use of computers to remotely access the state's network. State agencies and ITSD have been working on these issues and solutions are being found. In most cases these technical issues should not be a deterrent if the agency and the employee both agree telework is a beneficial option.

Department Response

OFFICE OF THE GOVERNOR

STATE OF MONTANA



JUDY MARTZ
GOVERNOR

August 29, 2003

RECEIVED

AUG 29 2003

LEGISLATIVE AUDIT DIV.

STATE CAPITOL
PO Box 200801
HELENA, MONTANA 59620-0801

Jim Pellegrini, Deputy Legislative Auditor
Legislative Audit Division
Room 160 State Capitol
PO Box 201705
Helena, MT 59620-1705

Dear Jim:

We have reviewed the recommendations contained in the Telework in Montana State Government performance audit. Our response follows:

Recommendation #1

We recommend the Governor:

- A. Encourage expansion of a state agency-wide telework program.
- B. Designate the Department of Administration as the lead agency in implementing the program.

Response: We agree there may be opportunity to make greater use of teleworking in state government. Telework can be a useful management tool with certain positions and work environments. A critical element for success is concurrence from management that teleworking is beneficial in meeting work objectives and conducted in a manner where performance can be measured.

The Governor has designated the Department of Administration as the lead agency and has asked them to increase the visibility of the program through additional education and outreach to state agency management staff. We will begin this process with a briefing by Director Scott Darkenwald to the cabinet. Department staff will update current program materials and make themselves available for meetings with agency staff to explain the program and answer questions. The Department will work directly with you to report timelines and progress.

Thank you for the opportunity to comment on this performance audit. We appreciate the opportunity to work with your staff on this program.

Sincerely,

A handwritten signature in black ink, appearing to read "Barbara Ranf".

BARBARA RANF,
Chief of Staff

c: Scott Darkenwald, Director, Department of Administration
John McEwen, Administrator, State Personnel Division, DOA